

Message Text

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63

ACTION ARA-20

INFO OCT-01 ISO-00 SS-20 NSC-07 NSCE-00 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 PRS-01 SP-03 USIE-00

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O 221717Z MAY 74

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC IMMEDIATE 4787

UNCLAS KINGSTON 1787

EO 11652: N/A

TAGS: EMIN EFIN

SUBJECT: BAUXITE SIT REP #61

PM STATES GOJ DIFFERS WITH COMPANIES ON AMOUNT NOT PRINCIPLE

DAILY GLEANER MAY 22 GIVES FRONT PAGE HEADLINE COVERAGE
TO PM MANLEY'S STATEMENT RELEASED YESTERDAY.
STATEMENT WAS APPARENTLY IN RESPONSE TO NEW YORK TIMES
EDITORIAL CARRIED IN GLEANER ON MAY 21. GLEANER TEXT
AS FOLLOWS.

BEGIN TEXT

"FOR NEARLY TWENTYFIVE YEARS, HTHE JAMAICAN GOVERNMENT HAS
RECEIVED AN AVERAGE OF LESS THAN \$2.00 PER TON FOR THE BAUXITE
MINED AND PROCESSED IN THIS COUNTRY. ANY COMMENT ON THE SIZE
OF THE INCREASE GOVERNMENT HAS DEMANDED IN THE PRICE OF BAUXITE
AS A RAW MATERIAL, WHICH DOES NOT DRAW COMPANISON WITH THE
PRICE BEING PAID BEFORE, IS LIKELY TO BE MISLEADING AND PROBABLY
ALSO UNFAIR. THE SUMS THE GOVERNMENT HAS RECEIVED IN THE PAST
AMOUNT TO NO MORE THAN HALF OF ONE CENT IN THE PRICE OF A
POUND OF ALUMINIUM METAL OF 25 PERCENT OF SUCH PRICE WHEN
METAL WAS 21 CENTS PER POUND IN EARLY 1973.

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"THE PRICE THE GOVERNMENT NOW DEMANDS IS BASED ON COMMERCIAL

CRITERIA -- 7 1/2 PERCENT OF THE VALUE OF ALUMINIUM PIG AND WOULD REPRESENT 2 CENTS IN THE PRICE OF A POUND OF ALUMINIUM METAL. AS THE UNITED STATES MARKET VALUE OF THIS METAL IS NOW 31.5 CENTS PER POUND AND WILL BE 33.5 CENTS AFTER THE THIRD OF JUNE, THE TOTAL INCREASE SOUGHT BY THE GOVERNMENT IS LESS THAN .5 PERCENT OF SUCH VALUES. IT IS THIS SMALL INCREASE OF 5 PERCENT THAT WILL INCREASE GOVERNMENT REVENUE FROM APPROXIMATELY \$25M TO \$200M. IT IS THEREFORE TOTALLY UNFAIR TO SUGGEST THAT OUR DEMAND WILL SIGNIFICANTLY INCREASE THE PRICE OF METAL.

"THE JAMAICAN DEMAND DOES NOT AMOUNT TO INDEXATION. THE PRICE INCREASE IS NOT LINKED TO THE PRICE OF WHEAT OR OIL OR SOYA BEANS OR FERTILIZERS, WHICH JAMAICA IS OBLIGED TO IMPORT ENORMOUS THROUGH THE RISE IN PRICE OF THESE COMMODITIES HAS BEEN.

" IT DOES NOT SERVE THE CAUSE OF HARMONIOUS INTERNATIONAL ECONOMIC RELATIONS TO RAISE THE SPECTRE OF INTERNATIONAL PRODUCER CARTELS MONOPOLISING SUPPLIES AND HIKING PRICES, SIMPLE BECAUSE AN INTERNATIONAL BAUXITE ASSOCIATION IS BEING FORMED. CERTAINLY THE ALUMINIUM COMPANIES WHICH ARE IN DIRECT TOUCH WITH THE JAMAICAN GOVERNMENT DID NOT APPEAR TO HARBOUR ANY FEARS ABOUT CARTELISING OF SUPPLIES. IN FACT JAMAICA HAS INDICATED ITS DESIRE FOR MAINTENANCE OF CONSISTENT SUPPLIES OF BAUXITE TO OVERSEAS MARKETS AND FOR GREATLY EXPANDED PRODUCTION IN THE ISLAND. IN THE TALKS WITH THE COMPANIES, JAMAICA HAS ACTED ALONE, AND HAS ONLY INFORMED THE OTHER FOUNDER MEMBERS OF THE ASSOCIATION ABOUT THE OUTCOME OF THE TALKS.

"JAMAICA'S AIM IS A FAIR PRICE FOR OUR MINERAL RESOURCES. JAMAICA WANTS NO MORE THAN A FAIR PRICE, BUT WILL ACCEPT NO LESS. THERE HAS BEEN AN HONEST DISAGREEMENT BETWEEN THE GOVERNMENT AND THE COMPANIES AS TO WHAT CONSTITUTES A FAIR PRICE FOR JAMAICAN BAUXITE.

" JAMAICA'S PRICE DEMAND IS 7.5 PERCENT OF THE SALE PRICE OF PRIMARY METAL AND LESS THAN 4 PERCENT OF THE REALISED VALUE OF FABRICATED METAL, WHICH IS THE FURTHER STATE IN THE PROCESSING OF ALUMINIUM.
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"IT HAS BEEN ACCEPTED IN THE TALKS THAT THE PRICE OF BAUXITE ORE, AND CONSEQUENTLY THE GOVERNMENT'S INCOME FROM THAT ORE, CAN BE EXPRESSED AS A SPECIFIC PERCENTAGE OF THE VALUE REALISED BY THOSE WHO SELL THE METAL INTO WHICH THE ORE IS CONVERTED. THERE IS NO DISAGREEMENT BETWEEN JAMAICA AND THE COMPANIES ON THIS PRINCIPLE. THERE IS A DIFFERENCE OF OPINION ONLY ON THE AMOUNT OF THE PERCENTAGE."

END TEXT. HEWITT

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